Assessment of Books and Records

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I.   ASSIGNMENT

Review books and records produced in this matter.

II.   DOCUMENTS/INFORMATION CONSIDERED AND RELIED UPON

- ➢ Quicken Files for:

    - o HOC Associates, Inc. ("INC")

    - o HOC Associates, LLC ("LLC")

- ➢ Various Bank Statements

- ➢ INC Form 990s

- ➢ Loan Agreements and Amendments

- ➢ Correspondence and Other Communications

- ➢ Other General Discovery Provided

- ➢ Conversations with Jonathan Chang.

III.   REVIEW OF BANKING ACTIVITY WITHIN QUICKEN

I understand that Jonathan Chang recorded the financial activity of both INC and LLC by utilizing a Quicken accounting software. I have reviewed the Quicken data files and note that the financial activity of each entity was maintained in separate Quicken files (one file entitled "HOC Associates Inc.QDF" and the other entitled "HOC Associates LLC.QDF").

I further understand through conversations with Jonathan Chang that to record most of the information reflected in the Quicken files, he would electronically download the transactions directly from the various banks and credit card companies directly into the Quicken data file and run a reconciliation of such to the banks electronically.[1] I was able to confirm the reasonableness of Mr. Chang's representation by reviewing the Quicken transaction reports and noting that the majority of transactions were marked with an "R" in the "Clr" column.[2] According to Quicken, when you download transactions electronically from your bank, it will be marked (under the "Clr" column) with a "c." Transactions may also have an "R" instead of a "c" in the "Clr" column which indicates that the transaction has been electronically reconciled by the Quicken software to the bank account balance.[3] The "R" reflects that the transaction was automatically reconciled to the account after the user accepts the downloaded transaction.[4]

The information downloaded from the bank typically includes the transaction date, the amount of the transaction, and a description of the transaction (e.g., who was paid). I also confirmed a number of transactions within the Quicken files directly to bank statements and did not identify any discrepancies between the Quicken data and the bank statements with such comparison. Finally, I have confirmed the ending balances of the bank accounts reflected within the Quicken files to the ending balances of the bank accounts per each account statement and found that the balances matched in each instance.

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[1] If after running a reconciliation with the software, the balances did not reconcile, Jonathan Chang would manually check the downloaded transactions to the bank statements to identify missing transactions. He would then enter the missing transactions and rerun the reconciliation.
[2] Entries that were not reflected in a bank account would typically not reflect any marking under the "Clr" column. For example, accrued activity within Quicken such as the anticipated donations by INC to Home of Christ Christian Center and its corresponding anticipated loan from LLC to fund these donations would not be reflected in any bank account and therefore would not necessarily be marked as cleared.
[3] https://www.quicken.com/support/transactions-have-r-instead-c-clr-column-after-downloading-your-bank
[4] https://www.quicken.com/support/transactions-have-r-instead-c-clr-column-after-downloading-your-bank